THE IMPACT OF THE COVID-19 PANDEMIC ON PUBLIC DEBT AT NATIONAL LEVEL COMPARED TO OTHER MEMBER STATES OF THE EUROPEAN UNION

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Abstract
The purpose of the present research is to present the situation of Romania from the point of view of the government debt determined according to the methodology of the European Union, as well as the positioning of Romania, within the European Union from the point of view of the mentioned indicator. The research carried out highlighted the effects of the COVID-19 pandemic on the government debt, but also the opinions of financial specialists who mention that a responsible fiscal-budgetary policy could lead to the relaunch of the economy in Romania against the background of the pandemic crisis.

The resources borrowed and remaining to be repaid at a given time, at the level of any state, constitute an additional argument that justifies the topicality and importance of the research topic. The main objective of the research theme was to present the effects of COVID-19 on Romania's government debt.

Keywords: *public debt, budget policy, pandemic*

JEL classification: *H1, H6*

1. Review of scientific literature

The essence of fiscal-budgetary responsibility derives from the legal framework applicable to budgets, which involves the creation of a solid system of principles, which guides the way of forming public financial resources and their use in order to support sustainable development [6].

In a country like Romania, marked by strong development gaps compared to other EU member states, by a lack of financial resources, it is difficult to maintain a financial balance, characterized by a reduced or even non-existent budget deficit, and with that more than the lack of public debt.

Regarding the impact of short-term debt, it depends on the economic and monetary conditions in the respective country. If the increase in public debt occurs in a small open economy, the stimulatory effects are stronger than when it is a large country, where part of the mentioned effects are reflected in the level of world demand. But since the central bank of a peripheral country does not issue reserve currency, the sustainability of its public debt depends on its access to refinancing from international markets, which is often low and intermittent [4].

The consequences of the increase in public debt will be felt by Romania in the long term, even if in the short term the public debt had a stimulating effect on economic growth. For example, in the long term, the increase in public debt generates an increase in budget expenditures with the payment of annuities. These expenses in the form of annuities that will have to be paid in the long term will be carried out with priority, to the detriment of productive expenses or will be covered by a fiscal policy that aims to increase the revenues from taxes and fees collected at the state budget. The negative effects of some fiscal policies, which will only aim to increase revenues to the state budget, can manifest themselves on consumption, on private investments, but also on the workforce.

According to the law on fiscal-budgetary responsibilities, one of the objectives of the fiscal-budgetary policy is to maintain the public debt at a sustainable level in the medium and long term. Also, the fiscal-budgetary responsibility law mentions a series of measures that the Government is obliged to put into practice, if the public debt exceeds 45% of the gross domestic product, but is below 50% of the gross domestic product, and a series of measures if the public debt exceeds 50% of the gross domestic product, but is below 55% of the gross domestic product [l0].

The academician, Iulian Văcărel, mentioned in his work that in Romania the Government is authorized to engage in the name and at the expense of the state of government public debt obligations only through the Ministry of Finance, for the following purposes:

1. the financing of the state budget deficit, the temporary financing of the deficits from previous years of the state social insurance budget, the financing of the temporary deficits of the state budget and of the state social insurance budget from the current year;
2. refinancing and early repayment of the governmental public debt;
3. permanently maintaining a corresponding balance in the general current account of the State Treasury;
4. the financing by law of some programs/projects or other priority needs for the Romanian economy [7].

2. The debt of the public administration of Romania in the period 2018 - May 2022

In the period that is the object of the research, 2018 - May 2022, it can be observed that Romania's public debt increased by 283,819.9 million lei. In the context of the COVID-19 pandemic, the public debt increased by 126,371.60 million lei, an increase that shows the effect of the measures adopted by the Government of Romania to transit the period of COVID-19.

If Romania's public debt is analyzed as a share of the gross domestic product (table no. 1), it can be observed that through the adopted fiscal-budgetary policy, Romania managed to maintain its value below the reference threshold established by the "Maastricht Treaty" (the debt public below the value of 60% of GDP). With all of this, we can observe the increasing trend recorded in the time interval 2018 - May 2022, and as Professor Silviu Cerna mentioned in the work Economic consequences of the public debt, the result of maintaining the fiscal-budgetary policies will be to exceed the threshold of 60% of the public debt in GDP [4].

The negative effects of a public debt are manifested by the anticipation of high inflation, economic uncertainty, financial indiscipline and other effects.

Table no. 1 **The volume of budgetary measures expressed as a percentage of GDP**

\- million lei -

Indicator / Years	The internal debt of the public administration	The external debt of the public administration	Total public administration debt	
			million lei	% GDP
2018	172.517,3	158.001,4	330.518,70	34,7%
2019	200.491,1	173.005,8	373.496,90	35,3%
2020	245.644,5	254.224,0	499.868,50	47,4%
2021	292.869,4	283.693,2	576.562,60	48,9%
January 2022	287.694,0	303.856,4	591.550,40	50,2%
February 2022	289.150,9	307.748,7	596.899,60	50,6%
March 2022	290.447,6	303.633,5	594.081,10	48,4%
May 2022	298.742,6	315.596,0	614.338,60	50,0%

source: www.mfinante.ro

Government debt according to the EU methodology, both at the end of 2020 and at the end of 2021, was at a sustainable level of 47.4% and 48.9% respectively, below the ceiling of 60% established by the Maastricht Treaty, but above the threshold provided by the legal framework, respectively, 45%.

In accordance with the provisions of Law no. 69/2010 on budgetary fiscal responsibility [9], which implemented the provisions of Directive 85/2011 and the Treaty on Stability, Coordination and Governance within the Economic and Monetary Union, in order to maintain the government debt at a sustainable level introduced the following thresholds and ceilings regarding the share of public debt in GDP, correlated with the measures that must be taken to ensure the sustainability of public debt.

If the ratio between the public debt according to the methodology of the European Union and the GDP exceeds the reference value of 60% of the GDP, the public debt will be reduced by an average rate of 5 percent per year, as an annual average over a period of 3 years.

Also, intermediate prudential thresholds for the public debt were introduced in the legislative framework, including automatic measures in case of exceeding them. If the public debt is between 45% - 50% of GDP, then the Ministry of Finance will present to the Government a report on the justification of the debt increase with proposals for maintaining this indicator at a sustainable level, and if the public debt is between 50% - 55% of GDP a program will be proposed to reduce the share of public debt in GDP, which will include, but not be limited to, measures regarding the freezing of total expenditures and salaries in the public sector; •

The next threshold considered was between 55% - 60% of GDP. In this case, in addition to the previously mentioned measures, the Government will also initiate measures to freeze the total expenditure on social assistance in the public system, and if the public debt will exceed the threshold of 60% of GDP, along with the previously mentioned measures, the Government it will also have to initiate and apply a public debt reduction program.

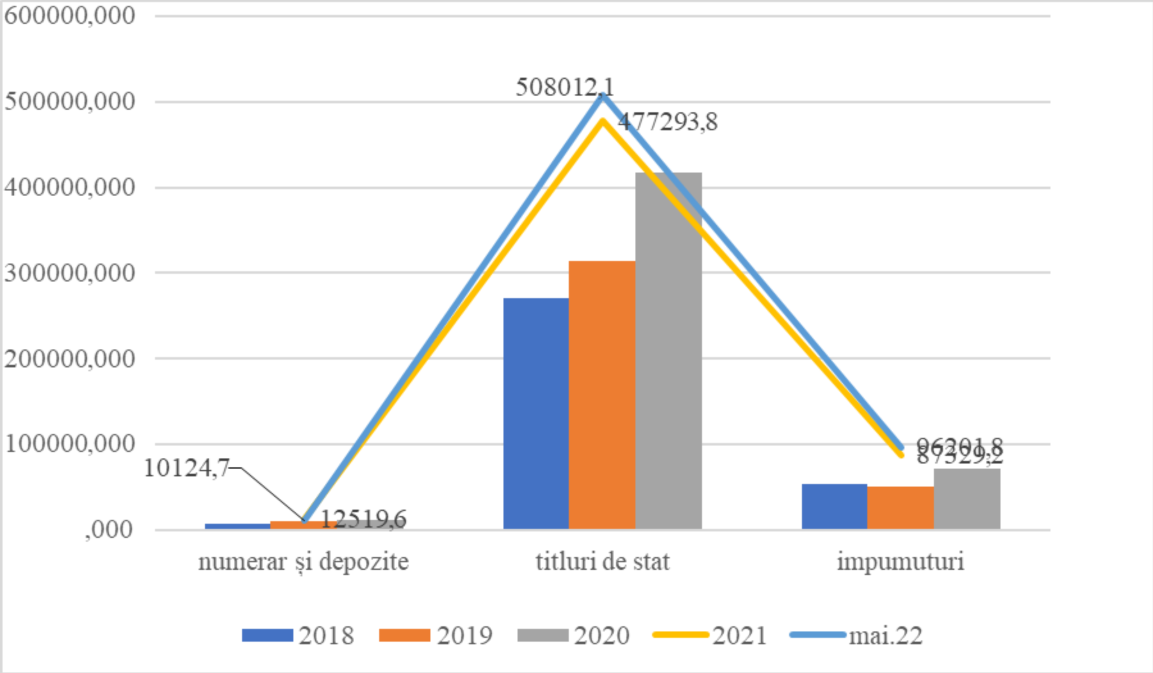
Table no. 2 **Structure of Romania's public administration debt by type of instruments, - on the time frame 2018-May 2022**

- million lei -

Indicatori / Anul	**Cash and deposits**	**State titles**	**Loans**
2018	6.953,2	270.328,2	53.237,3
2019	9.181,6	313.604,1	50.711,3
2020	11.439,7	416.893,1	71.535,6
2021	12.519,6	477.293,8	87.329,2
January 2022	9.589,8	491.510,5	90.450,1
February 2022	9.244,1	497.556,2	90.099,3
March 2022	10.730,6	491.608,5	91.741,9
May 2022	10.124,7	508.012,1	96.201,8

source: www.mfinante.ro

The graphic representation of Romania's public administration debt by type of instruments is as follows:



Source: Table no. 2

Chart no. 1 Romania's public administration debt by type of instruments

From the information presented in table no. 2 and in graph no. 1 it is observed that the largest share of the amounts contracted and remaining to be repaid at the time of the analysis was based on the issue of government securities.

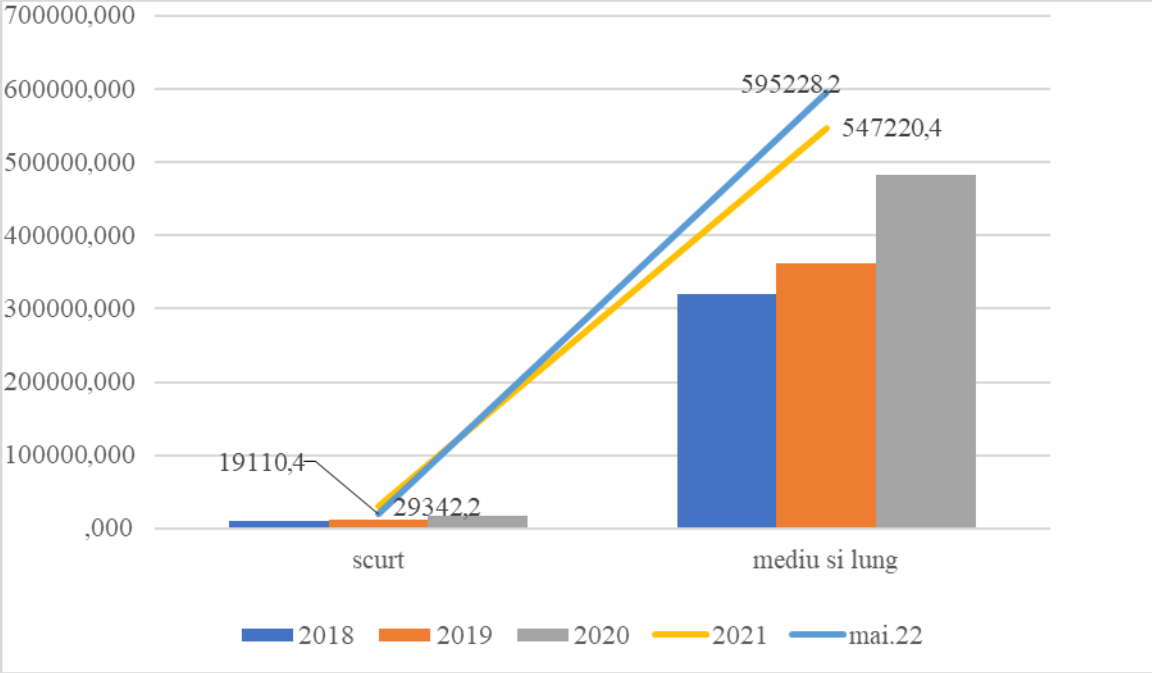
Table no. 3 **The structure of Romania's public administration debt by maturity type, on the time frame 2018-May 2022**

\- million lei -

Indicator / **Years**	**Public administration debt with short-term maturity**	**Public administration debt with medium and long-term maturity**
2018	10.629,9	319.888,8
2019	11.470,8	362.026,2
2020	17.661,4	482.207,1
2021	29.342,2	547.220,4
January 2022	18.936,7	572.613,6
February 2022	17.741,1	579.158,5
March 2022	19.624,6	574.456,5
May 2022	19.110,4	595.228,2

source: www.mfinante.ro

The graphic representation of Romania's public administration debt by maturity type is as follows:



Source: Table no. 3

Chart no. 2 Romanian public administration debt by maturity type

Regarding the currencies in carse Romania decided to borrow, from the data presented by the Ministry of Finance it can be seen that in the period 2018-2021, the national currency occupied the first place in the ranking of the currencies in which Romania decided to borrow, and in the beginning of 2022 the situation counterbalanced in favor of the euro currency. The fact is also maintained in the following months, respectively factory, March, May 2022.

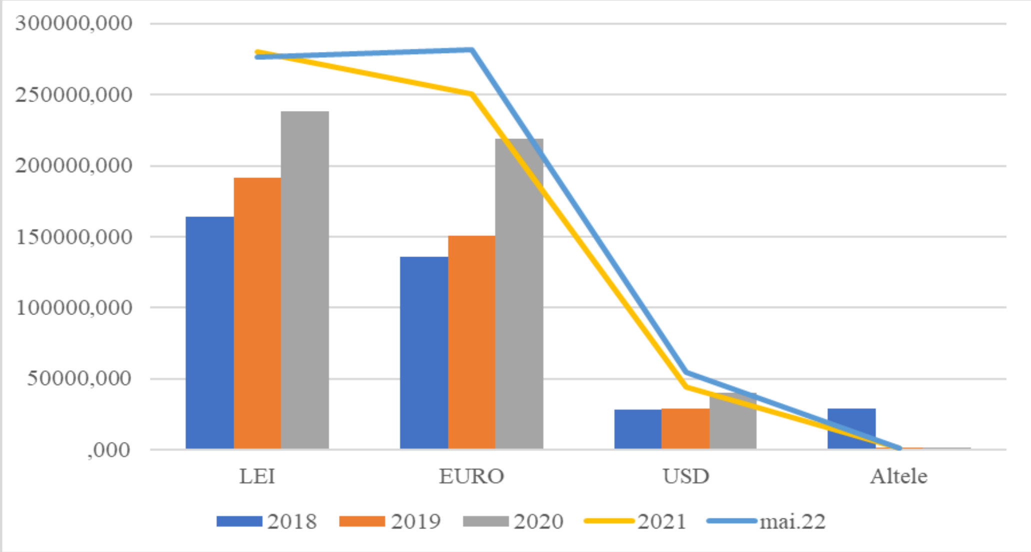
Table no. 4 **The structure of public debt by currency, in the period 2018- May 2012**

\- million lei -

Indicatori **Anul**	**Lei**	**Euro**	**USD**	**Alte valute**
2018	164.112,7	136.224,8	28.267,8	1.913,4
2019	191.517,8	151.001,1	29.180,4	1.797,7
2020	238.604,9	219.391,2	40.151,4	1.720,8
2021	280.535,2	250.389,5	44.116,0	1.521,8
January 2022	263.974,3	272.256,0	53.783,3	1.536,8
February 2022	265.986,9	284.398,2	44.998,2	1.516,3
March 2022	263.094,6	284.283,6	45.295,9	1.407,0
May 2022	276.535,3	281.559,7	54.853,9	1.389,3

source: www.mfinante.ro

The graphic representation of Romania's public administration debt by type of currency is as follows:



Source: Table no. 4

Chart no. 3 The debt of the public administration of Romania by type of currencies

Graph no. 3 it presents the structure of public debt by currency in the period under analysis. In the context of COVID-19, the government debt increased by 42,978.2 million lei compared to 2018. From the point of view of the structure of currencies, during the period of COVID-19, the amounts attracted were predominantly in the national currency and then in euros or dollars. Also, in the same it can be seen from table no. 4 that the size of the amounts contracted in other currencies decreased.

The repayment of the governmental public debt represents an unconditional and irrevocable obligation of the state to pay the capital, interest, commissions and other costs related to the reimbursable financing committed or guaranteed.

The expenses related to the services provided by the rating agencies for the assessment of the country risk, the commissions, the interest, the amount of the discount and other expenses related to the engagement of repayable financing in the name and account of the state are borne from the state budget.

In order to pay the service of the governmental public debt, permanent budgetary authorization is granted to carry out these expenses.

The expenses related to the service of the governmental public debt are financed, as the case may be, from:

- availability of the global current account of the State Treasury;
- reimbursable financing committed on behalf of the village for the refinancing of the governmental public debt;
- the expenses provided for this destination in the state budget;
- the amounts collected by the Ministry of Economy and Finance from sub-borrowers;
- the amounts provided in the budgets of legal entities that have contracted reimbursable financing with the state guarantee;
- the risk fund established at the Ministry of Economy and Finance for situations in which the guarantors do not honor their obligations stipulated in the agreements concluded with the Ministry of Economy and Finance;
- or other sources, under the law.

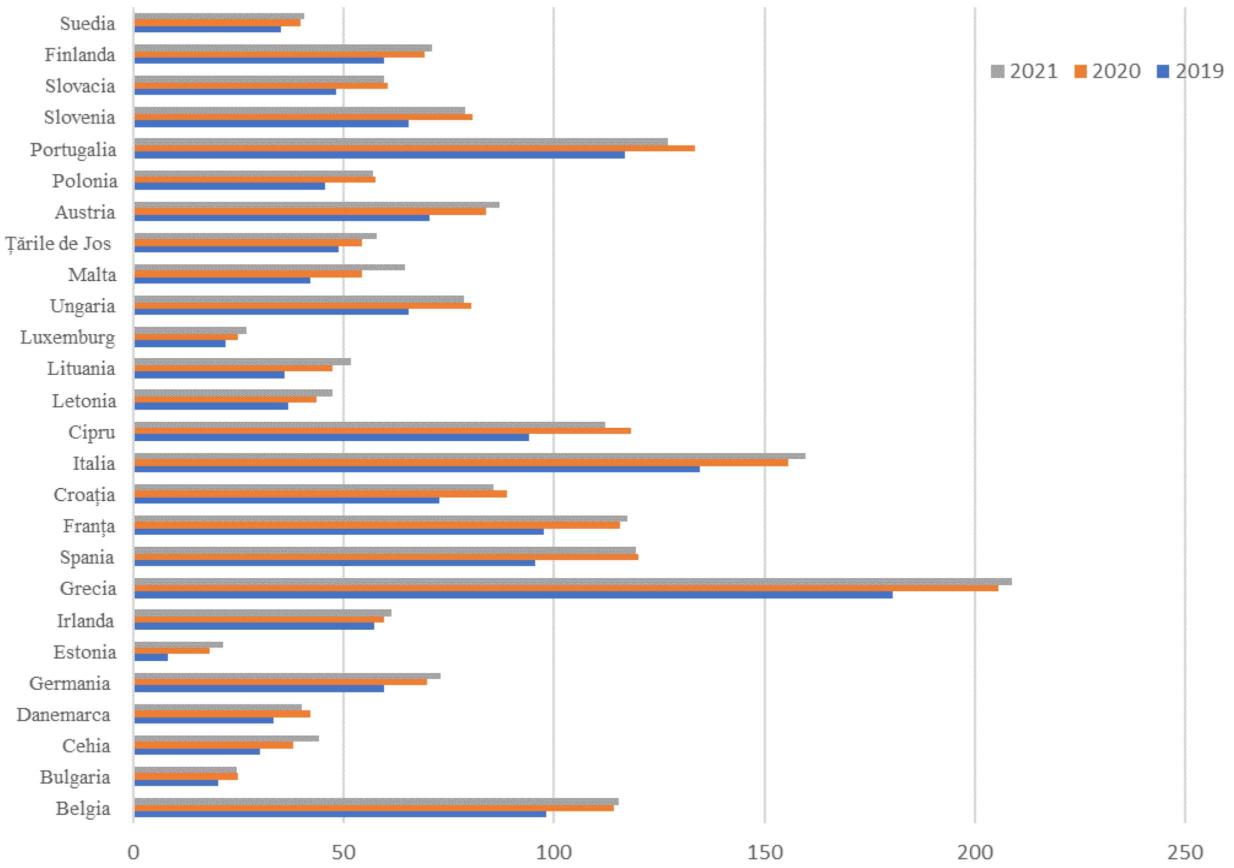
3. Public debt at the level of the member states of the European Union

According to data published by Eurostat, a number of 14 member states recorded, at the end of 2020, a level of government public debt in GDP of over 60% of GDP, the highest levels being recorded in Greece (205.6%). Italy (155.8%), Portugal (133.6%), Spain (120.0%), Cyprus (118.2%), France (115.7%), and Belgium (114.1%).

At the level of 2020, at the end of 2020 Romania was ranked 8th among EU member states, with the lowest level of debt after Estonia (18.2% of GDP), Luxembourg (24.9% of GDP), Bulgaria (25.0% of GDP), the Czech Republic (38.1% of GDP), Sweden (39.9% of GDP), Denmark (42.2% of GDP) and Latvia (43.5% of GDP).

The share of gross public debt increased in all member states, exceeding in 14 of them the reference value of 60% of GDP provided for in the treaty, at the level of 2020: Belgium (114.1%), Germany (69.8%), Greece (205.6%), Spain (120.0%), France (115.7%), Croatia (88.7%), Italy (155.8%), Cyprus (118.2%), Hungary (80 .4%), Austria (83.9%), Portugal (133.6%), Slovenia (80.6%), Slovakia (60.6%) and Finland (69.2%) (graph no. 3) . In 2019, Belgium, Greece, Spain, France, Croatia, Italy, Cyprus, Hungary, Austria, Portugal and Slovenia already had gross public debt above 60% of GDP. The data published by Eurostat show that, in the following years, namely 2021 and 2022, at the forecast level, the reference value was exceeded at the level of the mentioned states for 2020, with the exception of Slovakia, which recorded a share of the public debt in GDP of 59.5%.

The graphic representation of the share of government debt in GDP at the level of some member states of the European Union is as follows:



source: https://data.consilium.europa.eu/

Chart no. 4 The share of government debt in GDP at the level of some member states of the European Union

4. Conclusions

Romania's debt policy is still circumscribed by the convergence criteria established by the Maastricht Treaty, according to which the deficit of the general consolidated budget must not exceed

3% of GDP, and the degree of indebtedness, established as a percentage ratio between the total public debt and the domestic product gross should not exceed the level of 60%.

In Romania, over the period of time under analysis, it was found that the external debt of Romania registered an upward evolution during the analyzed period, respectively from 21,504 million euros in 2004 to 98,968 million euros in 2012, with the highest share held by o loans made from private banks which in Romania, in 2008, represented 64.78% of the total foreign debt in the medium and long term.

Although the COVID-19 crisis was a health crisis, its effects can generate food, energy or financial crises depending on the existence of internal resources at the level of each country.

The COVID-19 crisis has shown in numbers Romania's dependence on certain markets. In addition to the negative effects generated by the COVID-19 crisis, it can be considered a point in the sustainable development of Romania. Also, the pandemic crisis highlighted the vulnerability of each state in the face of an economic crisis, creating the conditions for new challenges, concomitant with the adoption of unprecedented fiscal-budgetary measures with long-term impact. In conditions of uncertainty, the direction of a state's economic recovery is determined by the ability of governments to respond proactively.

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